

NBS Research Department – Strategy and Resources 101

1. Functions of the Research Department and State of Play

The Research Department (RD) of the NBS – like most research departments in central banks – has three main functions:

- a) Contribute to the reputation of the NBS by being a nationally and internationally recognized centre of academic excellence in economics and finance
- b) Generate policy-relevant research ideas and analytical findings. This includes e.g. medium-term economic analyses on topics of operational relevance for the NBS, or the development of tools that can be used in the day-to-day work of other NBS departments
- c) Provide a ‘public good’ function, e.g., by publishing research results that are of relevance for policy discussions in Slovakia, by (financially and operationally) supporting academic research and, by providing a platform for academic discussions

The relative importance of these three objectives differs substantially between central banks, depending e.g. on the analytical capacity of other economic and financial departments in the central bank and the size and level of development of academic research in the country. There is no clear international best-practice.

For the NBS, the first two functions are seen as relatively more important than the ‘public good’ function, in particular since some elements of the latter have recently been moved to the newly established NBS Foundation. The first and the second objective are seen as equally important.

To fulfil these three functions, the RD currently has 18 permanent staff members, organised in three sections (Macroeconomic Research Section (8), Financial Stability Research Section (6) and Documentation Centre (4)).

Looking at the current state of play, the publications output of the RD steadily increased in recent years and the department is well established as a national centre of academic excellence. It has also established a good international reputation in some areas, facilitated by RD staff collaboration in various research networks (ESCB and others). The RD regularly provides memos and policy opinions for NBS management and prepared several tools for other NBS departments. It also organises internal research seminars and external conferences. Finally, RD staff collaborates in and engages with academic institutions in Slovakia and beyond.

The Documentation Centre provides library services to the entire NBS and collaborates with other libraries in Slovakia.

2. Key Strategic Priorities

In view of the main functions of the RD and the current state of play, the department has three strategic priorities going forward. To some extent these priorities mutually reinforce each other:

1. Further improve the academic output of the Department. This is a medium- to long-term objective and this process has already started some years ago. The aim is to continue and accelerate this process, including by (1) clarifying and streamlining the thematic priorities for the RD and by (2) taking organisational steps that will help to improve the quality of the output of the RD.
2. Enhance the visibility and reputation of the RD. This objective is closely intertwined with Objective (1), given that high-quality output is the bedrock of the RD's reputation. In addition, (co-) organising and participating in more national as well as international events will improve the visibility of the RD and will help to embed RD staff even more closely in research collaborations, either through formal networks or through project-specific collaborations. Moreover, the visibility of the RD should be strengthened through other means such as an upgrade of its on-line presence and more use of social media. Further improving the visibility and reputation of the RD is also important in order to attract high-calibre staff.
3. Strengthen the collaboration between the RD and other NBS business areas and further increase the high level of international cooperation. The RD is already engaged in various international networks and international research projects. Given the relatively small size of the NBS RD, this is of key importance and should be maintained or – to the extent possible – further strengthened going forward. There are also positive examples of collaboration between the RD and other NBS departments, e.g., the joint organisation of the research seminar series with the Economic and Monetary Analyses Department, the agreement with the Financial Stability Department that the Head of the Financial Stability Research Section of the RD is the Slovak member in the ECB Macroprudential Analysis Group. Moreover, RD staff recently developed a reserve allocation tool for the Market Operations Department. Such collaborations should be strengthened for the benefit of the RD and the NBS more generally.

3. Academic output of the Research Department

Thematic priorities

This section presents several – relatively broad – thematic priorities for the RD for the next 2-3 years. The areas are to some extent interlinked, which should foster collaboration within the RD and beyond.

The projects to be done under these priorities can focus on Slovakia but coverage of a wider group of countries (within the CESEE region, other parts of the EU and beyond) is likely to generate more international academic and policy interest and to make the results of the projects more publishable. That said, a focus on SK or Central Europe is helpful from a policy perspective and may in some cases be unavoidable, due to data limitations.

The thematic priorities should not be seen as strict boundaries for the range of topics that can be tackled by RD staff. On-going projects outside the remit of these priorities can of course be finalised and new projects on topics that are not directly related to these thematic priorities are not excluded either. That said, the thematic priorities are meant to provide clear guidance on the main activities of the department going forward and will impact the selection process of new projects.

- 1) Monetary policy transmission and inflation pass-through. This priority is highly topical and includes e.g. work on inflation expectations and the heterogeneity of the impact of inflation on households and firms, depending e.g. on their indebtedness, income level and financial literacy. Also, the pass-through of energy price changes to producer and ultimately consumer prices should be covered, as well as the longer-term impact of inflation on economic growth and monetary-fiscal interaction.
- 2) Macroprudential policy and real estate. SK is a front-runner in the use and analysis of macroprudential tools. This ‘comparative advantage’ should be preserved and strengthened. One area to be looked at under this priority is the role and impact of macroprudential policy at times of monetary tightening. What are the new priorities and what are the interactions with monetary policy and banking supervision? At the same time, previous macroprudential decisions should be thoroughly evaluated ex post. It is also important to keep track of new macroprudential tools (e.g., the sectoral SyRB) and to assess their applicability for Slovakia and other countries in the EA. In the area of real estate, the analysis of real estate supply and demand drivers should be deepened, leading to an assessment of equilibrium real estate price levels. In addition, it would be important to obtain a better understanding of the rental real estate market and the commercial real estate market.
- 3) Structural developments with a focus on micro-data-based analyses. The general aim of this priority is to use micro-data (e.g., HFCS data as well as other micro-data, such as administrative data from the Ministry of Finance) to obtain a better understanding of how the Slovak and other economies operate under changing conditions. Areas to be covered here include e.g. (i) heterogeneities of price dynamics (overlap with Priority 1), (ii) labour market dynamics, including wealth inequality, ageing and migration, (iii) corporate dynamics and productivity,

looking also at specific markets (e.g., the automotive sector and the commercial real estate sector [overlap with Priority 2]) and regions. This thematic priority also encompasses further work on global value-chains and international trade. A continuation of the PRISMA project would be very helpful to advance this thematic priority.

- 4) Economic and financial effects of climate change and policy actions to mitigate it. This thematic priority includes for example work on the impact of 'green' policies on the financial sector, also including preferences for ESG investments, on industry structure and energy supply. At the same time, it will be important to obtain a better understanding of the climate footprint of various economic activities in SK to inform policy making in this field. Whereas research in this area is likely to have a rather strong domestic focus, embedding the work in international fora will be very important to benefit from the experience of other central banks, that are more advanced in this field.

4. International cooperation

International networking

The RD is already engaged in a range of international networks (Eurosystem / ESCB and others such as CompNet). Moreover, many RD staff are engaged in specific international research projects. Given the relatively small size of the NBS RD, international cooperation is key to further improve the academic output of the RD and to enhance its visibility and reputation. Maintaining and further enhancing international cooperation with other supranational organisations, international research centres, and academia is thus strongly encouraged.

Visiting Researcher Program (VRP)

The main output of the VRP are joint research projects with RD staff and the 'success rate' of the program appears to have been relatively high. Going forward, the VRP program is going to be expanded so that RD will be able to welcome 5-6 researchers per year, working on topics that are closely aligned with the thematic priorities of the RD. Visiting researchers are expected to spend some time on site at the NBS. The precise length of their time at the NBS can vary, but 2 weeks should be the minimum, in order to create sufficient opportunities to give guidance to RD staff.

Participants in the VRP should be experts in their field and come from well-regarded research institutions or universities. They will be recruited on consultancy contracts. To attract external researchers of sufficient quality and with matching expertise, we will conduct semi-annual calls for expressions of interest, specifying the main areas in which the RD is looking for visiting researchers.

5. Use of other external resources

Synergies within the institution

More recently, there have been some encouraging developments in the Economic and Monetary Analyses Department, which recently recruited several research-oriented staff.

The new staff has been given more time to conduct analytical work. Number of project-based cooperations between the Research and Economics has quickly increased, although not yet officialised in the detailed Research Plan.

Moreover, there are already some joint activities such as the research seminar series, the membership of the RD in the ECB Macroprudential Analysis Group and in the Macroprudential Committee of the NBS, ad hoc cooperation on the Financial Stability Report, and the recently developed reserve allocation tool for the Market Operations Department.

Going forward, collaboration between departments can and should be further strengthened for the benefit of the RD and the NBS more generally.

Resources for data support

Data collection and management can be very labour intensive, substantially reducing the time that RD staff have available to do non-data related aspects of research. Reflecting the best practice in the area, we will be contracting staff working on data in a full time equivalent of 24 months. In the medium-term, we plan to create a new category of permanent positions focusing on data collection and management, along the lines of the Research Assistants employed for example at the ECB. This will help to enhance business continuity and to attract more highly skilled and experienced candidates.

Internship program

Currently the RD hosts 4-6 interns per year. They receive little or no pay and normally stay only for a short period of time. Prospective research topics are identified by the RD staff and published as external calls on relevant platforms.

The internships program will likely go through modification to become more efficient for the RD. The following areas are to be reconsidered (1) the maximum period of the traineeship, (2) the remuneration and (3) the recruitment process, to attract higher calibre candidates. Also, the terms and conditions of the program should be more streamlined to reduce the administrative burden.